

Office of the State Auditor
Division of State Audit

North Dakota University System Office
Bismarck, North Dakota

Audit Report for the
Two-Year Period Ended June 30, 2006
Client Code 21500

Robert R. Peterson
State Auditor



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Transmittal Letter

June 18, 2007

Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Mr. Eddie Dunn, Chancellor, North Dakota University System Office

We are pleased to submit this audit of the North Dakota University System Office for the two-year period ended June 30, 2006. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Dave Feltman. Al Stroklund, Aaron Petrowitz, and Mary Feltman, CPA, were the staff auditors. John Grettum, CPA was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7289. We wish to express our appreciation to Chancellor Dunn and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

INTRODUCTION

The North Dakota University System (NDUS) Office and the State Board of Higher Education (SBHE) are responsible for the control and administration of North Dakota's state higher education institutions. The State Board of Higher Education is the governing board for the University System. The Board was created by Article VIII, Section 6 of the State Constitution.

The SBHE consists of eight voting and one non-voting member(s). The Governor with the advice and consent of the Senate appoints seven members who are qualified electors and taxpayers of the state, and who have resided in the state for not less than five years immediately preceding their appointments. The eighth member is a full-time resident student appointed by the Governor. A ninth member is a faculty member (non-voting) selected by the statewide Council of College Faculties.

The Chancellor of the NDUS is appointed by the SBHE and is responsible to the Board and shall be removed by the Board for cause. The Presidents of the respective institutions are appointed by the Board and report to the Chancellor.

The Board has full authority over the institutions under its control with the right to prescribe, limit, or modify the courses offered at the institutions. The Board has the control of the expenditure of the funds belonging to, and allocated to the institutions, and also the funds appropriated by the Legislature.

RESPONSES TO LAFRC REQUESTS

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. What type of opinion was issued on the financial statements?

Unqualified.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

Yes.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

There were no recommendations included in the prior audit report.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

No, a management letter was not issued.

LAFRC AUDIT COMMUNICATIONS

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

None.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The most significant accounting estimate used by the North Dakota University System Office was the determination of useful lives of capital assets. Estimated useful lives are used to compute depreciation on capital assets. We evaluated the useful lives assigned to capital assets and determined they were reasonable in relation to the financial statements taken as a whole.

3. *Identify any significant audit adjustments.*

In our North Dakota University System audit reports for fiscal years 2006 and 2005, all of the material adjustments we proposed for the North Dakota University System Office were recorded. Other non-material audit adjustments were proposed and the North Dakota University System Office was given the option to record or not record. A listing of Posted Audit Adjustments and Passed Audit Adjustments were included in the 2006 and 2005 North Dakota University System audit reports.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance and Human Resource Management System (HRMS) are high-risk information technology systems critical to the North Dakota University System Office.

Background Information

The North Dakota University System (NDUS) Office supports the State Board of Higher Education in developing public policy for the governance of the NDUS and in advocating on behalf of the System.

North Dakota University System includes:

- Bismarck State College
- Dickinson State University
- Lake Region State College
- Mayville State University
- Minot State University
- Minot State University – Bottineau Campus
- North Dakota State College of Science
- North Dakota State University
- University of North Dakota
- Valley City State University
- Williston State College

The State Board of Higher Education is the governing body for the NDUS. The State Constitution provides the Board with broad powers and specifies that the Board retain any powers it does not delegate to the campuses. The Board consists of eight voting members and one non-voting faculty representative. The Governor appoints voting members.

The Board employs a Chancellor, who directs the NDUS Office. The Chancellor serves as the chief executive officer of the Board and is also chief executive officer of the System. The Chancellor and his staff assist in the development and execution of the Board's directives. The Board develops policies for the operation and management of the state's eleven public colleges and universities, including oversight of academic, fiscal, and administrative policy. The NDUS Office also administers state-funded student financial aid programs on behalf of the state of North Dakota.

More information on the Board and the NDUS can be obtained from the NDUS home page at: <http://www.ndus.nodak.edu/>

Audit Objectives, Scope, And Methodology

Audit Objectives

The objectives of this audit of the North Dakota University System Office for the two-year period ended June 30, 2006 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the most important areas of the North Dakota University System Office's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the North Dakota University System Office and are they in compliance with these laws?
3. Are there areas of the North Dakota University System Office operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the North Dakota University System Office for the two-year period ended June 30, 2006 was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. To meet the objectives outlined above, we:

Audit Methodology

- Prepared financial statements from the data used in the fiscal year 2006 and fiscal year 2005 North Dakota University System Annual Financial Reports and developed a discussion and analysis of the financial statements.
- Performed detailed analytical procedures for expenses and revenues.
- Tested samples of expenses and ONL's (direct entries and adjustments to the general ledger).
- Reviewed prior year audit workpapers.
- Interviewed appropriate agency personnel.
- Reviewed North Dakota University System Office written plans and applicable manuals.
- Observed North Dakota University System Office's processes and procedures.
- Reviewed North Dakota Century Code chapters 15-10; 15-10.1; 15-10.2; 15-17; 15-55; 15-62.2; 15-62.3; and 15-63 and the 2003 and 2005 Session Laws.
- Reviewed pivot tables to identify unusual or at risk transactions.

Discussion And Analysis

The accompanying financial statements have been prepared in a condensed form to present the North Dakota University System Office's financial position and results of operations in a manner similar to that used for financial reporting in the private sector. All fund types are condensed and reported in one column. Accordingly, the accompanying summary financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

FINANCIAL SUMMARY

For the two-year period ending June 30, 2006, operations of the North Dakota University System Office were primarily supported by state appropriations (85%); other revenue consisted primarily of student tuition and fees (10%). Total revenues were \$19,302,178 for the year ended June 30, 2006 as compared to \$16,640,577 for the year ended June 30, 2005. The increase in revenue for the year ended June 30, 2006, was primarily due to the timing of drawdowns of state appropriations.

Total expenses for the North Dakota University System Office were \$18,851,051 for the year ended June 30, 2006 as compared to \$15,911,612 for the prior year. This includes transfers to the building authority of \$6,589,849 and \$5,298,453 for June 30, 2006 and 2005, respectively. The increase in total expenses for the audited period was primarily for transfers to the building authority (for payment of principal and interest) and depreciation expense (for PeopleSoft software).

Noncurrent assets and liabilities are the most significant items on the Statement of Net Assets, representing the capitalization of the ConnectND project (PeopleSoft) and the related bond activity associated with the project.

RESTRICTED NET ASSETS

Restricted net assets on the Statement of Net Assets are the result of constraints placed on net assets use. These constraints are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law. The restricted assets are related to debt service or are found in the Federal Fund and are restricted by grant agreements.

ANALYSIS OF SIGNIFICANT VARIANCES BETWEEN FINAL BUDGETED AND ACTUAL EXPENDITURES

Nothing significant noted.

Condensed Financial Statements

STATEMENT OF NET ASSETS

ASSETS	June 30, 2006	June 30, 2005
Current Assets		
Cash and Cash Equivalents	\$ 255,264	\$ 414,880
Accounts Receivable, Net	206,864	52,184
Due from State General Fund	762,424	530,093
Grants and Contracts Receivable	294,318	399,175
Total Current Assets	<u>\$ 1,518,870</u>	<u>\$ 1,396,332</u>
Noncurrent assets		
Unamortized Bond Discount and Cost of Issuance	\$ 113,957	\$ 130,236
Capital Assets, Net	14,969,442	16,038,688
Total Noncurrent Assets	<u>\$ 15,083,399</u>	<u>\$ 16,168,924</u>
Total Assets	<u>\$ 16,602,269</u>	<u>\$ 17,565,256</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 670,984	\$ 721,339
Accrued Payroll	71,911	65,125
Deposits	1,020	1,020
Due to Others	1,399,295	1,348,702
Total Current Liabilities	<u>\$ 2,143,210</u>	<u>\$ 2,136,186</u>
Noncurrent Liabilities		
Other Noncurrent Liabilities	\$ 276,050	\$ 315,486
Due to Others	11,617,460	12,999,162
Total Noncurrent Liabilities	<u>\$ 11,893,510</u>	<u>\$ 13,314,648</u>
Total Liabilities	<u>\$ 14,036,720</u>	<u>\$ 15,450,834</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 2,111,342	\$ 1,838,688
Restricted	85,450	85,612
Unrestricted	368,757	190,122
Total Net Assets	<u>\$ 2,565,549</u>	<u>\$ 2,114,422</u>

STATEMENT OF REVENUES AND EXPENSES

	June 30, 2006	June 30, 2005
OPERATING REVENUES		
Student Tuition and Fees	\$ 2,021,185	\$ 1,405,345
Federal Grants and Contracts	148,055	269,626
Other	211,942	332,900
Total Operating Revenues	<u>\$ 2,381,182</u>	<u>\$ 2,007,871</u>
OPERATING EXPENSES		
Salaries and Wages	\$ 2,001,489	\$ 1,837,862
Operating Expenses	1,010,427	894,266
Data Processing	3,674	29,439
Depreciation Expense	1,069,246	
Scholarships and Fellowships	3,686,961	3,115,578
Total Operating Expenses	<u>\$ 7,771,797</u>	<u>\$ 5,877,145</u>
Operating Loss	<u>\$ (5,390,615)</u>	<u>\$ (3,869,274)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 16,202,973	\$ 14,280,007
Gifts	63,500	
Investment Income	10,728	52,125
Interest on Capital Assets-Related Debt	(528,036)	(555,433)
General and Special Grant Expenditures	(3,961,369)	(4,180,581)
Other Nonoperating Revenues	643,795	300,574
Net Nonoperating Revenues	<u>\$ 12,431,591</u>	<u>\$ 9,896,692</u>
Income Before Transfers	<u>\$ 7,040,976</u>	<u>\$ 6,027,418</u>
Transfers to Building Authority	<u>\$ (6,589,849)</u>	<u>\$ (5,298,453)</u>
Total Other Revenue	<u>\$ (6,589,849)</u>	<u>\$ (5,298,453)</u>
Increase in Net Assets	<u>\$ 451,127</u>	<u>\$ 728,965</u>
NET ASSETS		
Net Assets - Beginning of Year	\$ 2,114,422	\$ 1,385,457
Net Assets - End of Year	<u>\$ 2,565,549</u>	<u>\$ 2,114,422</u>

STATEMENT OF APPROPRIATIONS

For The Biennium Ended June 30, 2005

	2003-2005 Original Appropriation	Appropriation Adjustments	2004 Expenses	2005 Expenses	BALANCE 6-30-05
OBJECT					
System Governance	\$ 4,472,850	\$ 759,856	\$ 2,403,684	\$ 3,422,267	\$ (593,245) *
Operations Pool	578,417	(578,417)			
Capital Assets	12,790,689		5,305,869	5,298,453	2,186,367
Student Financial Assistance Grants	2,930,215	674,073	1,345,996	1,406,182	852,110
Contingency and Capital Emergency	1,752,767	(237,134)	1,456,074	1,020	58,539
Scholars Program	816,368	95,709	409,770	398,928	103,379
Title II Grant	695,600	45,088	389,624	351,065	(1)
Native American Scholarships	204,086	402	101,150	101,700	1,638
Common Information Service	25,089,639	(25,089,639)			
Education Incentive Program	830,000	397,902	538,343	340,147	349,412
Centers for Excellence	1,550,000		1,150,000	400,000	
Student Exchange	1,678,300	35,480	833,146	770,743	109,891
Professional Liability	1,850,000		925,000	925,000	
Competitive Research Program	4,750,000		2,325,000	2,425,000	
Biennium Carryover		270,177	81,006	71,088	118,083
Board Initiatives	485,306	(484,132)			1,174
TOTALS	\$ 60,474,237	\$ (24,110,635)	\$ 17,264,662	\$ 15,911,593	\$ 3,187,347
SOURCE					
General Fund Authority	\$ 56,618,730	\$ (25,116,624)	\$ 15,096,011	\$ 15,278,675	\$ 1,127,420
Federal Fund Authority	1,056,933	62,510	556,638	529,795	33,010
Special Fund Authority	2,798,574	943,479	1,612,013	103,123	2,026,917
TOTALS	\$ 60,474,237	\$ (24,110,635)	\$ 17,264,662	\$ 15,911,593	\$ 3,187,347

* The System Governance appropriation line item was overspent because it included system-wide expenses of \$881,780 which were not appropriated. System-wide expenses are recorded as agency funds at the University of North Dakota.

2004-2005 Appropriation Adjustments

Line Item	Amount	Reason
System Governance	\$ 162,475	Transfer from Board Initiatives for various projects
	271,134	Increase special fund appropriation
	72,093	Transfer from Board Initiatives for chancellor search
	75,000	Transfer from Board Initiatives for ConnectND
	8,000	Transfer from Board Initiatives for laptop pilot project
	170,870	Transfer from Board Initiatives for accountability survey
	284	Increase for additional federal funding received
Operations Pool	(578,417)	Transfer to UND for ConnectND
Student Financial Assistance Grants	674,072	2001-03 carryover
Contingency and Capital Emergency	125,911	2001-03 carryover
	(47,300)	Transfer to NDSCS for steam line replacement
	(15,780)	Transfer to MASU for disabled student funding
	(5,965)	Transfer to MISU-BC for disabled student funding
	(250,000)	Transfer to UND for ConnectND
	(44,000)	Transfer to MASU for steam distribution system
Scholars Programs	95,709	2001-03 carryover
Title II Grant	45,089	Increase for additional federal funding received
Native American Scholarships	402	2001-03 carryover
Common Information Services	(14,016,974)	Transfer to UND for technology funding
	(10,760,315)	Transfer to NDSU for technology funding
	(312,350)	Transfer to MISU for technology funding
Education Incentive Program	397,902	2001-03 carryover
Student Exchange	35,480	2001-03 carryover
Biennium Carryover	270,177	2001-03 carryover
Board Initiatives	294,306	2001-03 carryover
	(162,475)	Transfer to System Governance for various projects
	(75,000)	Transfer to UND for alcohol consortium
	(30,000)	Transfer to WSC for community college consortium
	(150,000)	Transfer to BSC for collaboration incentives
	(10,000)	Transfer to MISU for arts and humanities summit
	(72,093)	Transfer to System Governance for chancellor search
	(75,000)	Transfer to System Governance for ConnectND
	(8,000)	Transfer to System Governance for laptop pilot project
	(170,870)	Transfer to System Governance for accountability survey
	(25,000)	Transfer to UND for Native Americans into aviation program
Total Appropriation Adjustments	<u>\$ (24,110,635)</u>	

For The Year Ended June 30, 2006

	2005-2007 Original Appropriation	Appropriation Adjustments	2006 Expenses	Balance 6-30-06
OBJECT				
Equity and Special Needs Pool	\$ 2,000,000	\$ (2,000,000)		
System Governance	5,568,422		\$ 2,594,262	\$ 2,974,160
Operations Pool	388,559	(44,000)		344,559
Capital Assets	14,278,141		6,589,849	7,688,292
Student Financial Assistance Grants	3,504,402	319,100	1,528,946	2,294,556
Higher Ed Contingency Fund	436,923	15,434	17,625	434,732
Scholars Program	862,077	53,379	377,873	537,583
Title II Grant	695,600		292,337	403,263
Native American Scholarships	251,988	1,638	125,690	127,936
Technology	20,563,093	(20,563,093)		
Education Incentive Program	1,227,902	349,412	662,701	914,613
Study Exchange	2,127,280	109,891	991,750	1,245,421
Professional Liability Insurance	1,350,000		675,000	675,000
Competitive Research Program	5,190,000		2,595,000	2,595,000
Biennium Carryover		494,004	275,668	218,336
Board Initiatives	1,885,000	(1,858,826)		26,174
TOTALS	\$ 60,329,387	\$ (23,123,061)	\$ 16,726,701	\$ 20,479,625
General Fund Authority	\$ 57,729,611	\$ (23,235,367)	\$ 16,127,454	\$ 18,366,790
Federal Fund Authority	1,057,526		440,554	616,972
Special Fund Authority	1,542,250	112,306	158,693	1,495,863
TOTALS	\$ 60,329,387	\$ (23,123,061)	\$ 16,726,701	\$ 20,479,625

2006 Appropriation Adjustments

Line Item	Amount	Reason
Equity and Special Needs Pool	\$ (400,000)	Transfer to BSC for the president's equity allocation formula
	(400,000)	Transfer to LRSC for the president's equity allocation formula
	(900,000)	Transfer to NDSU for the president's equity allocation formula
	(300,000)	Transfer to UND for the president's equity allocation formula
Operations Pool	(44,000)	Transfer to UND for system priorities
Student Financial Assistance Grants	319,100	2003-05 carryover
Higher Ed Contingency Fund	59,559	2003-05 carryover
	(12,000)	Transfer to MISU for disabled student funding
	(30,000)	Transfer to VCSU for disabled student funding
	(2,125)	Transfer to MISU-BC for disabled student funding
Scholars Program	53,379	2003-05 carryover
Native American Scholarships	1,638	2003-05 carryover
Technology	(11,880,335)	Transfer to UND for technology funding
	(8,356,378)	Transfer to NDSU for technology funding
	(326,380)	Transfer to MISU for technology funding
Education Incentive Program	349,412	2003-05 carryover
Stidency Exchange	109,891	2003-05 carryover
Biennium Carryover	494,004	2003-05 carryover
Board Initiatives	(200,000)	Transfer to UND for ND Space Grant Consortium
	(160,000)	Transfer to UND for Alcohol Consortium
	1,174	2003-05 carryover
	(1,500,000)	Transfer to UND for ConnectND
Total Appropriation Adjustments	<u>\$ (23,123,061)</u>	

Internal Control

In our audit for the two-year period ended June 30, 2006, we identified the following areas of the North Dakota University System Office's internal control as being the most important:

Internal Controls Subjected To Testing

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenses.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered significant. Our consideration of internal control would not necessarily disclose all matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements that would be material may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses.

Compliance With Legislative Intent

In our audit for the two-year period ended June 30, 2006, we identified and tested North Dakota University System Office's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

Legislative Intent Subjected To Testing

- Determine whether board member compensation, except for the student member, is limited to \$100 per day, plus expenses, for each calendar day actually spent devoted to the duties of the office (NDCC 15-10-08).
- Determine whether the board provided an annual performance and accountability report regarding performance and progress toward the goals outlined in the University System's strategic plan and accountability measures (NDCC 15-10-14.2 (1)).
- Determine whether eligibility criteria are complied with for the technology occupations student loan program (NDCC 15-10-37).
- Determine whether eligibility criteria are complied with for the student loan forgiveness program (NDCC 15-10-38).
- Determine that eligibility requirements of NDCC 15-62.2-00.1 (1), 15-62.2-02 (2) and 15-62.2-03.2 for the student financial assistance and scholars program have been met.
- Determine that funds received by the board for the student financial assistance and scholars programs are deposited in the board's special fund for that purpose (NDCC 15-62.2-04).
- Determine that Indian Scholarships do not exceed \$667/quarter or \$1000 per semester to individual recipients (NDCC 15-63-05).
- Determine whether the SBHE created a policy regarding English pronunciation and reported to the legislative council by July 1, 2006 regarding implementation of the policy (NDCC 15-10-42).
- Determine whether the SBHE contracted with Kansas State University for a veterinary medical education program. If so, determine that eligibility criteria were complied with (NDCC 15-10-43).
- Determine that \$200,000 of the board initiatives line item (subdivision 1 of section 3) was used for a grant to the space grant consortium to match federal funds and the remainder of the funding was used to support University System and statewide goals linked to the State Board of Higher Education strategic plan and the higher education roundtable report. The board shall consider using a substantial amount of funding for an international student initiative (2005 SB 2003, chapter 31, section 4).
- Determine that \$14,278,141, or so much of the sum as may be necessary, included in the capital assets line item (subdivision

1 of section 3) was used by the State Board of Higher Education to satisfy outstanding bond obligations (2005 SB 2003, chapter 31, section 5).

- Determine that \$20,563,093, or so much of the sum as may be necessary, included in the common information services line item (subdivision 1 of section 3), was used for the benefit of the institutions and entities under the control of the State Board of Higher Education, as determined by the board funding allocations based on the North Dakota University System information technology plan and technology priorities. Determine if funds allocated pursuant to this section were used to support the higher education computer network, the interactive video network, the on-line Dakota information network, and other related technology initiatives as determined by the board (2005 SB 2003, chapter 31, section 7).
- Determine that \$436,923, or so much of the sum as may be necessary, included in the contingency and capital emergency line item (subdivision 1 of section 3), was used to meet unforeseen operations or capital asset needs and opportunities, as determined by the State Board of Higher Education (2005 SB 2003, chapter 31, section 8).
- Determine that \$2,000,000, or so much of the sum as may be necessary, included in the equity pool line item (subdivision 1 of section 3), was used to address equity at higher education institutions and other campus needs as determined by the State Board of Higher Education. Determine that the board provided a report to the budget section regarding the allocation of the equity pool (2005 SB 2003, chapter 31, section 9).
- Determine that funding appropriated for education incentive programs in subdivision 1 of section 3, included the reduction or elimination of specific programs. Determine that the board allocated up to \$150,000 of the funding for providing doctoral incentives to students at private baccalaureate degree-granting institutions (2005 SB 2003, chapter 31, section 10).
- Determine that the State Board of Higher Education reimbursed to institutions under their control, all additional funds received under the North Dakota-Minnesota reciprocity agreement during the biennium beginning July 1, 2005, and ending June 30, 2007. Determine that twenty-three and one-half percent of the additional funds used for student financial assistance grants were for students at private baccalaureate degree-granting institutions (2005 SB 2003, chapter 31, section 11).
- Determine if the State Board of Higher Education conducted a review of the long-term finance plan, including a review of peer institutions and a review of the allocation of funds between equity and parity within the plan, during the 2005-06 interim. Determine if a representative of the board periodically reported to the appropriate committee of the legislative council and the

budget section on the status of the review during the 2005-06 interim (2005 SB 2003, chapter 31, section 17).

- Did the Board of Higher Education's performance and accountability report as required by section 15-10-14.2 include an executive summary and information regarding education excellence, economic development, student access, student affordability and financial operations (2005 SB 2003, chapter 31, section 20).
- Determine that the State Board of Higher Education considered allowing related faculty members and practicing professionals in the related fields in the state to assist in the selection of students awarded funding through the student exchange program and considered investigating options of entering contracts with other higher education institutions for providing opportunities for students to complete professional fields of study not offered through the North Dakota University System, specifically other institutions granting professional degrees targeting critical shortages in large animal veterinary practice (2005 SB 2003, chapter 31, section 22).
- Determine if the State Board of Higher Education used \$50,000 general fund moneys for the purpose of performing the technology commercialization study provided for in Senate Bill No. 2032 for the biennium beginning July 1, 2005 and ending June 30, 2007 (2005 SB 2018, chapter 46, section 5).
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Compliance with appropriations and related transfers (2003 and 2005 North Dakota Session Laws chapters 3 and 31, respectively).
- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Proper use of outside bank accounts, petty cash funds, and proper authority for investments outside the Bank of North Dakota.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Compliance with fixed asset requirements including record keeping, surplus property, lease and financing arrangements in budget requests, and lease analysis requirements.
- Compliance with payroll related laws including statutory salaries for applicable elected and appointed positions, and certification of payroll.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.

Operations

This audit did not identify areas of North Dakota University System Office's operations where we determined it was practical at this time to help to improve efficiency or effectiveness.